# NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA butter increased 8 cents to $1.1300, Grade A increased 7 cents to $1.0500, and Grade B increased 7 cents to $1.0500. Also at the CME, barrel cheese decreased 1 cent to $1.1275 and 40# blocks are unchanged at $1.1650.

The USDA has determined that the National Agricultural Statistics Service (NASS) U.S. average 40-lb. block cheddar cheese price is the equivalent price to the National Cheese Exchange (NCE) 40-lb. block cheddar cheese price for use in the pricing provisions in Federal Milk Orders. The NASS cheese price series will be used to announce the Basic Formula Price (BFP) for May and future months and to derive a protein price and/or milk quality adjustment in 10 Federal orders which contain multiple component pricing plans.

According to ERS and AMS, commercial disappearance of dairy products during the first quarter of 1997 (January - March) totals 38.5 billion pounds, 3.4% more than the comparable period a year ago. Comparing disappearance levels with the same period a year ago: fluid milk products are down 0.8%, NDM is 1.0% lighter, and butter is 1.4% lower, while American cheese consumption is 6.5% heavier and other cheese is 5.3% greater.

Milk production patterns across the country are now starting to be noticeably influenced by warmer temperatures. In the south from Florida across the country to Southern California, hot temperatures continue to stress the milking herd, lowering milk output. Elsewhere in the U.S., temperatures are more favorable and milk production is holding steady at seasonally high levels or continues to build. The Memorial Day holiday weekend has come and gone and most contacts report milk volumes were heavy, but handled without too much difficulty. Most of the additional milk was processed by midweek and bottling schedules reverted to pre-holiday levels. Another factor contributing to surplus milk volumes at this time is the recessing of schools for the summer. Many schools have already closed, with the balance closing during the next 10 - 14 days. Diversions of milk to manufacturing plants are heavy and expected to remain so for the near future. Cream demand remains good, despite the 12 1/2 cent increase in Grade A butter at the CME on May 23. Some multiples were lowered to keep cream moving. Demand for soft serve and ice cream mix is improving as resort and vacation areas open for the summer.

Dry dairy product markets are much the same as they have been over the past few weeks. Nonfat dry milk production was heavy over the Memorial Day weekend and plant stocks are generally heavy. Again this week, surplus Western NDM was offered to CCC with contacts expecting sales to continue in an effort to clear extra product. Due to heavy stocks, some producers are lowering prices as a way of keeping powder moving commercially versus government clearances. Buttermilk powder markets remain weak with prices holding steady to lower. Demand is mainly limited to contract sales with minimal spot interest noted. Production levels are increasing. Whey markets are steady to firm, although prices are higher and lower. Domestic demand is steady at fair to good levels. Export interest is rated as quiet and slow. Exporters are spending more of their time completing shipments of previously sold product than putting together new deals.

During the week of May 26 - 30, CCC purchased 118,938 pounds of nonfortified NDM under the price support program. Also purchased were 148,800 pounds of process American cheese, the first cheese price support purchase since mid February.

***SPECIAL THIS ISSUE***



## BUTTER MARKETS

### CHICAGO WHOLESALE

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

| GRADE | MAY 27 | MAY 29 | MAY 30 |
|---|---|---|---|
| AA | $1.0500 - 1.0600 (.1200) (.1200) | $1.0500 - 1.0600 | $1.0500 - 1.0600 |
| A | $0.9800 - 0.9900 (.1250) (.1250) | $0.9800 - 0.9900 | $0.9800 - 0.9900 |

( ) Change from previous price.

**BUTTER HIGHLIGHTS:** At the Chicago Mercantile Exchange, all prices are sharply higher. Following the sharp increase in butter prices recorded May 23, the butter industry continues to adjust. Over the past Memorial Day holiday weekend, churning schedules were heavy thus butter stocks are heavier than current demand is clearing. Often, producers and handlers are holding additional stocks. Demand for current needs is fair while more active for late summer and fall needs.

## CHEESE MARKETS

### WISCONSIN ASSEMBLY POINTS

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers, prices include CCC purchase price whenever cheese is moving to CCC from the Midwest area.

| CHEDDAR STYLES | MAY 26 - 30, 1997 |
|---|---|
| BARRELS* | $1.1275 - 1.1525 (NOMINAL) (.0050) |
| 40# BLOCKS | $1.1650 - 1.1850 (NOMINAL) |

( ) Change from previous week. * If steel, barrel returned.

**CHEESE HIGHLIGHTS:** The cheese market is unsettled. At the Chicago Mercantile Exchange, the 40# block price was unchanged, but barrels declined 1 cent to $1.1275. Trading was light. Cheese production was heavy over the long holiday weekend at many locations. Demand was slow to develop during the holiday abbreviated week. Most cutter/processors are operating on reduced schedules following the holiday. Sales continue to lag seasonal levels for many processors. CCC purchased 148,800 pounds of process cheese under the price support program at $1.1825 per pound from the Midwest, the first cheese support purchase since February.

## CHICAGO MERCANTILE EXCHANGE

**Sales are listed in chronological order; bids and offers listed in numeric order.**

**BUTTER TRANSACTIONS ON FRIDAY, MAY 30, 1997**

(CARLOT UNIT = 40,000 - 42,000 LBS.)

| GRADE | PRICE CHANGE | LAST SIGNIFICANT TRANSACTION - LST | | |
|---|---|---|---|---|
| AA | +.0800 | $1.1300 | SALE | 05/30/97 |
| A | +.0700 | $1.0500 | BID | 05/30/97 |
| B | +.0700 | $1.0500 | BID | 05/30/97 |

SALES: 3 CARS GRADE AA @ $1.1300 (LST)

BIDS UNFILLED: 5 CARS GRADE A: 1 @ $1.0700, 1 @ $1.0800, 1 @ $1.1000, 1 @ $1.1100, 1 @ $1.1200
2 CARS GRADE A: 1 @ $1.0000, 1 @ $1.0500 (LST)
1 CAR GRADE B @ $1.0500 (LST)

OFFERS UNCOVERED: 1 CAR GRADE AA @ $1.2000

**CHEESE TRANSACTIONS ON THURSDAY, MAY 29, 1997**

(CARLOAD UNIT = 40,000-44,000 LBS.)

| CHEDDAR STYLES | PRICE CHANGE | LAST SIGNIFICANT TRANSACTION | | |
|---|---|---|---|---|
| BARRELS | -.0100 | $1.1275 | OFFER | 05/29/97 |
| 40# BLOCKS | N.C. | $1.1650 | BID | 05/15/97 |

SALES: NONE

BIDS UNFILLED: NONE

OFFERS UNCOVERED: 10 CARS BARRELS: 3 @ $1.1450, 1 @ $1.1400, 5 @ $1.1375, 1 @ $1.1275 (LST)

*****For last week's transactions, see page 9 of this report.*****

## PRINT BUTTER MARKETS - GRADE AA

### NORTHEAST

Prices are twelve cents higher following the trading at the May 23 session of the Chicago Mercantile Exchange. The market tone is unsettled. Many industry contacts were again surprised and confused by both the increase and the size of the price jump. Traditionally, the Memorial Day weekend is one of the heaviest processing weekends of the year for butter/powder plants and contacts wonder why prices should increase prior to a period of heavy manufacturing. Churning activity is heavy as most Eastern butter makers had plans to run at capacity during the weekend. Butter stocks range from light to heavy. There is still evidence of users and traders speculating on butter and buying ahead of anticipated, summer needs. Contacts believe that all this storing may have an impact on demand and prices later in the year. April cold storage figures for butter show a 59.1% increase from March 1997 and a 6.7% increase over a year ago. Retail sales are slow to fair and food service orders are good and starting to settle into summer patterns.

WHOLESALE PRICES: MIN 25 BOXES
DOLLARS PER POUND, DELIVERED EAST COAST CITIES

| | | |
|---|---|---|
| 1/4 LB. PRINTS | : | 1.2600-1.5075 |
| 1 LB. PRINTS | : | 1.1750-1.3575 |
| CHIPS/PATTIES | : | 1.2375-1.4075 |
| REDDIES | : | 1.3125-1.5075 |
| CONTINENTALS | : | 1.3925-1.5675 |

### CENTRAL

Butter markets are firm with prices sharply higher following trading at the May 23 Chicago Mercantile Exchange. Many butter producers and handlers were surprised at the substantial increase in prices going into the Memorial Day holiday weekend when butter production is usually heavy. As expected, churning activities were heavy and many producers continue to work down heavy holiday cream volumes. Stocks of bulk and print butter are readily available for current needs. Buying interest is not aggressive as buyers assess inventories and adjust to the higher prices. In most instances, producers are holding surplus volumes due to limited buyer interest.

FOB CENTRAL STATES PLANTS: MIN 20,000 POUNDS, $ PER POUND

| | | |
|---|---|---|
| 1/4 LB. PRINTS | : | 1.1500-1.5575 |
| 1 LB. PRINTS | : | 1.1150-1.2775 |
| CHIPS/PATTIES | : | 1.1400-1.3500 |
| REDDIES | : | 1.2250-1.4600 |
| CONTINENTALS | : | 1.3800-1.5700 |

### WEST

Print butter prices moved sharply higher following trading at the CME on May 23. Print orders are strong as buyers place orders before prices have a chance to move higher and to get ready for the summer tourist season. Demand for bulk is also steady at good levels, ranging from 2-4 cents under. Even with prices for cream sharply higher, demand is quite good. The market appears to be getting ready for the summer season with the memory of last year still fresh in peoples' minds. Contacts have been surprised at the volumes traded at the CME the past few weeks.

WHOLESALE SELLING PRICES: DELIVERED WESTERN CITIES
150 - 1000 POUNDS, DOLLARS PER POUND

| | | |
|---|---|---|
| 1/4 LB. PRINTS | : | 1.3350-1.3825 |
| 1 LB. PRINTS | : | 1.2525-1.3250 |
| PATTIES | : | 1.3050-1.4725 |
| REDDIES | : | 1.4325-1.4500 |

FOB CALIFORNIA PLANTS - GRADE AA
100 CASES AND UP, DOLLARS PER POUND

| | | |
|---|---|---|
| 1/4 LB. PRINTS | : | 1.0500-1.0800 |

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

| | BUTTER | : | CHEESE |
|---|---|---|---|
| | | : | |
| 05/26/97 | 39,494 | : | 119,727 |
| 05/01/97 | 31,021 | : | 114,802 |
| CHANGE | +8,473 | : | + 4,925 |
| % CHANGE | + 27 | : | + 4 |

NASS CHEDDAR CHEESE PRICE SURVEY

| WEEK ENDING | 40# BLOCKS MN/WI | 40# BLOCKS WEST | 40# BLOCKS U.S. | 640# BLOCKS U.S. | BARRELS MN/WI | BARRELS OTH STATES | BARRELS U.S. |
|---|---|---|---|---|---|---|---|
| | 1.1912 | 1.1411 | 1.1600 | 1.1717 | 1.1421 | 1.1300 | 1.1368 |
| MAY 23 | 2,045,475 | 3,806,113 | 6,020,076 | 1,758,467 | 4,230,711 | 3,281,805 | 7,512,516 |
| | | | | | 34.63% | 34.62% | 34.62% |

**COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS--JANUARY-MARCH 1997 AND YEAR-TO-DATE 1995-961/**

| Item | Jan.-Mar 1996 | Percent change 4/ | Jan.-Mar. 1997 | Percent change 4/ | Jan.-Dec. 1995 | Percent change 4/ | Jan.-Dec. 1996 | Percent change 4/ |
|---|---|---|---|---|---|---|---|---|
| | Million Pounds | | | | | | | |
| MILK | | | | | | | | |
| Production | 39,053 | -0.8 | 38,896 | 0.7 | 155,425 | 1.1 | 154,331 | -1.0 |
| Marketings | 38,682 | -0.8 | 38,582 | 0.8 | 153.849 | 1.2 | 152,842 | -0.9 |
| Beginning Commercial Stocks 2/ | 4,099 | -3.8 | 4,704 | 14.8 | 4,263 | -6.3 | 4,099 | -3.8 |
| Imports 2/ | 479 | -27.2 | 572 | 19.4 | 2,936 | 2.0 | 2,911 | -0.9 |
| Total Supply 3/ | 43,260 | -0.5 | 43,858 | 1.4 | 161,048 | 1.0 | 159,852 | -1.0 |
| Ending Commercial Stocks 2/ | 5,570 | 16.4 | 5,239 | -5.9 | 4,099 | -3.8 | 4,704 | 14.8 |
| Net Removals 2/ | 20 | -98.1 | 99 | 395.0 | 2,106 | -56.2 | 91 | -95.7 |
| Commercial Disappearance 3/ | 37,670 | -1.0 | 38,520 | 3.4 | 154,843 | 3.0 | 155,057 | -0.1 |
| SELECTED PRODUCTS 5/ | | | | | | | | |
| Butter | 329.2 | -3.1 | 321.1 | -1.4 | 1,186.3 | 8.1 | 1,179.8 | -0.9 |
| American Cheese | 779.2 | 0.6 | 820.3 | 6.5 | 3,148.5 | 3.9 | 3,229.7 | 2.3 |
| Other Cheese | 976.7 | -0.2 | 1,017.0 | 5.3 | 4,125.5 | 1.7 | 4,242.9 | 2.6 |
| Nonfat Dry Milk | 254.2 | 16.9 | 248.8 | -1.0 | 923.7 | 0.6 | 1,008.2 | 8.8 |
| Fluid Milk Products 6/ | 14,303.2 | 0.8 | 14,031.5 | -0.8 | 55,113.5 | -0.3 | 55,796.7 | 1.0 |

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ Milk-equivalent, milkfat basis. Calculated using slightly different factors than previously. Further changes may be made as technical parameters become available. 3/ Totals may not add because of rounding. 4/ From year earlier on a daily average basis. 5/ Commercial disappearance in product pounds. 6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA. This information is now available through AutoFAX. To request a document, dial (202) 219-1107 and enter document number 11521 when prompted.

# CHEESE MARKETS

## NORTHEAST

Prices and the market tone are unchanged. Production levels were heavy over the Memorial Day weekend. Some plants had little room for more milk. Others, however, had room and were taking milk only if prices were very attractive. Few cheese makers are fortifying their milk with skim solids. Plant stocks are generally adequate for current demand. More cheddar is being put into aging programs. Demand for cheddar is slow to fair despite upcoming June Dairy Month promotions. Mozzarella orders are slowing as schools and colleges close for summer recess. Food service orders are improving as resort restaurants prepare for summer needs.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---|---|---|
| Cheddar 10# Prints | : | 1.2700-1.6475 |
| Cheddar Single Daisies | : | 1.2400-1.6425 |
| Cheddar 40# Block | : | 1.3025-1.4525 |
| Process 5# Loaf | : | 1.3475-1.4875 |
| Process 5# Sliced | : | 1.3675-1.5100 |
| Muenster | : | 1.3450-1.8275 |
| Grade A Swiss Cuts 10 - 14# | : | 2.2500-2.5050 |

## MIDWEST

The cheese market is unsettled, but with a firmer undertone. Cheese prices were unchanged at the Chicago Mercantile Exchange on May 22. Current orders are slow to develop after the long Memorial Day weekend as many buyers built extra working inventory prior to the holiday. Overall, the trend in interest continues to pickup for most processors and packagers, but current sales typically continue to lag year ago volumes. Most processors/packagers are running on reduced (4 day) schedules this week due to the holiday. Overtime remains limited. A few producers are in better position with inventory while others are little changed in the Midwest. Attractively priced Western cheddar offerings continue to pressure Midwestern premiums. Aging programs are also being rebuilt at current prices. Mozzarella sales remain sluggish as sales traditionally slow near the end of the school year. Cheese production was heavy at many plants over the long holiday weekend as extra fluid backed up from bottling channels. Spring flush milk receipts are slower to arrive at many northern locations due to continued cool, windy weather.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---|---|---|
| Process American 5# Loaf | : | 1.4950-1.6225 |
| Brick And/Or Muenster 5# | : | 1.4900-1.6225 |
| Cheddar 40# Block | : | 1.4175-1.9150 |
| Monterey Jack 10# | : | 1.6175-1.9150 |
| Blue 5# | : | 1.7700-2.0300 |
| Provolone 10 - 12# | : | TFEWR |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.5400-1.9150 |
| Grade A Swiss Cuts 6 - 9# | : | 2.2075-2.4850 |

## WEST

Extra milk was certainly available over the holiday weekend, but not more than anticipated. It cleared with relative ease. No one is anxious to make extra cheese at this time. Sales activity for barrels, Swiss, and Mozzarella are all slow. Current blocks are in better shape than blocks that have some age on them. Buying interest is very spotty, depending on what shape inventories are in. Most contacts don't believe that there is much chance of firming prices until the milk supply shrinks this summer.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | |
|---|---|
| Process 5# Loaf | : 1.3275-1.6900 |
| Cheddar 40# Block | : 1.3475-1.7300 |
| Cheddar 10# Cuts | : 1.5825-1.7800 |
| Monterey Jack 10# | : 1.5325-1.7800 |
| Grade A Swiss Cuts 6 - 9# | : 2.3375-2.5600 |

## FOREIGN TYPE CHEESE

Prices are unchanged and the market tone is steady. Stocks of imported and/or domestically made cheese range from light to adequate for the slow to fair needs. As of mid-May, the EU canceled the issue of all export licenses (subsidies) for cheese until June 2. Because of the relatively limited volumes qualified for export refunds under GATT, year-2, the EU suspended all "pre-bookings." Contacts feel that when reinstated, refunds may only last a short while as importers may apply for more than available quantities remaining under GATT. The GATT year ends June 30. Retail sales of foreign type cheese remain slow to fair.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

| | NEW YORK | |
|---|---|---|
| VARIETY | IMPORTED | DOMESTIC |
| Roquefort | 5.5000-6.8900 | -0- |
| Blue | 2.6400-3.1400 | 1.5000-2.0675 |
| Gorgonzola | 3.2400-5.9400 | 2.1225-2.4900 |
| Parmesan (Italy) | TFEWR | 2.8675-2.9475 |
| Romano (Italy) | 2.1900-2.9000 | -0- |
| Provolone (Italy) | 3.4400-5.5000 | 1.1725-1.6800 |
| Romano (Cows Milk) | -0- | 2.7025-2.9075 |
| Sardo Romano (Argentine) | 2.6500-3.2900 | -0- |
| Reggianito (Argentine) | 2.6500-3.2900 | -0- |
| Jarlsberg-(Brand) | 2.7400-3.1200 | -0- |
| Swiss Cuts Switzerland | -0- | 2.2500-2.5050 |
| Swiss Cuts Finnish | 2.5900-2.8500 | -0- |
| Swiss Cuts Austrian | 2.2500-2.7500 | -0- |
| Edam | | |
| 2 Pound | TFEWR | -0- |
| 4 Pound | 2.1900-3.0900 | -0- |
| Gouda, Large | 2.3900-3.1500 | -0- |
| Gouda, Baby ($/Dozen) | | |
| 10 Ounce | 27.8000-31.7000 | -0- |

* = Price change.

## FLUID MILK AND CREAM

### EAST

Memorial Day has come and gone and most contacts report that milk volumes were heavy, but handled without too much difficulty. Some distressed loads were moved, but volumes were often below years past. Milk production is falling in Florida and other Gulf Coast States where hotter weather is starting to take its toll on the cows. Florida handlers shipped about 50 loads of milk out of state, but shipments were halted at midweek and milk is in good balance. Bottled milk sales are slow to fair. Schools are starting to recess for the summer which is going to impact Class I sales and manufacturing schedules. Farther north, milk output is holding at or just below the seasonal peak. Bottled milk sales are up slightly from late last week. In the more northern areas, the milk flow is steady, but contacts are not sure if they have reached the peak. Cooler than normal weather has retarded grass growth and slowed field work. Reports state that in New England and parts of New York, this spring has been the coldest and wettest since 1968. Manufacturing plants were busy over the holiday weekend, but handled the milk without serious problems. Some distressed milk was moved out of region, but that isn't uncommon for Memorial Day. The condensed skim market is unsettled. Prices are steady to lower as buyers expect lower prices following the big jump in butter/fat prices last Friday. Demand for wet solids is fair, but lower prices may help stimulate interest. The fluid cream market, despite the big jump in butter prices, is firm. Cream volumes were long late last week, but are now tight. Spot prices are sharply higher. Ice cream production is improved after many operations were down for the long weekend. Demand for soft serve and ice cream mix is improving as resort area outlets opened for the summer. With Memorial Day so early, outlets have an extra week of summer this year. Cream cheese production is still good, but sharply higher cream prices are a deterrent to build much of an inventory. Churning activity ranges from lighter to moderate and some producers are still looking for more cream to process.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, $ PER LB BUTTERFAT

| | | |
|---|---|---|
| F.O.B. Producing Plants: Northeast | - 1.3524 - 1.4602 | |
| Delivered Equivalent Atlanta | - 1.3230 - 1.4896 | M 1.3524-1.3916 |
| F.O.B. Producing Plants: Upper Midwest | - 1.3524 - 1.4112 | |

PRICES OF CLASS II CONDENSED SKIM, $ PER LB WET SOLIDS

| | |
|---|---|
| F.O.B. Producing Plants: Northeast | - 1.0500 - 1.2900 |

### MIDWEST

| SPOT SHIPMENTS: | LOADS |
|---|---|
| MAY 23 - 29, 1997 | 0 |
| PREVIOUS WEEK | 0 |
| COMPARABLE WEEK IN 1996 | 33 |

Class I sales rebounded slightly after the long holiday weekend. However, over the next few weeks, additional school systems are closing for the summer. This traditionally causes additional fluid volumes to divert into manufacturing channels. Manufacturing plants were generally operated on extended schedules to clear offerings. Increased holiday surplus milk supplies were available over the long weekend into early this week. Prices were typically lower and a few loads over the past 2 weeks in the region were cleared for less than $10.00 per cwt. The majority were sold at less than $1.00 under BFP/MCP delivered. Most milk handlers had prepared contingency plans for moving surplus milk well ahead of the holiday, reducing the volume of last minute "surprises." Some unexpected disruptions were noted particularly when a large cheese plant had equipment problems for about a day. Some interregional milk movement occurred, but early reports suggest little change from previous weeks. Cream prices are sharply higher, reflecting both higher multiples and the 12.5 cents increase in butter prices at the Chicago Mercantile Exchange on May 23. Local milk intakes are steady to higher in most northern sections. Receipts are declining in many southern parts of the region where heat stress is more of a problem. A few upper Midwestern operations are starting to report local milk receipts finally equal to year ago levels. In northern tier states, first cutting hay/haylage is running well behind normal as maturity and crop height continue to lag. Reports indicate that an above normal share of the corn and soybeans have been planted, though emergence is slow in cooler areas.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

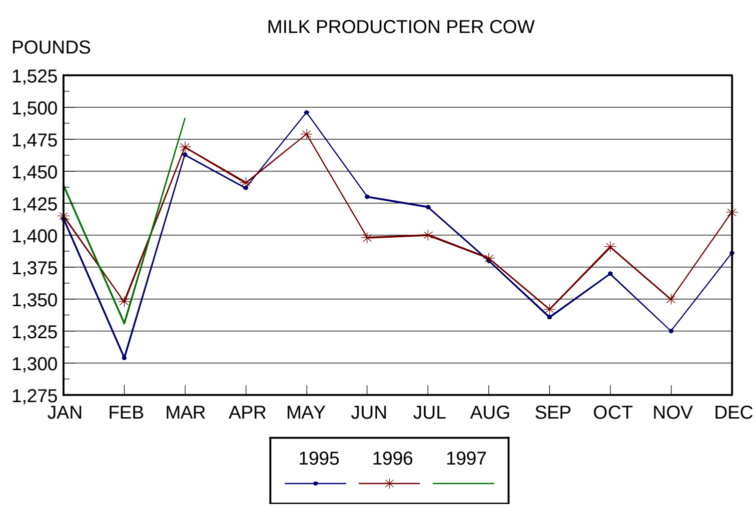
| | MAY 22 - 28 | PREVIOUS YEAR |
|---|---|---|
| SLAUGHTER COWS | $ 36.50- 42.00 | $ 31.00- 35.50 |
| REPLACEMENT HEIFER CALVES | $ 90.00-130.00 | $110.00-145.00 |

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

| | MAY 22 - 28 | PREVIOUS YEAR |
|---|---|---|
| SLAUGHTER COWS | $ 36.00- 42.25 | $ 30.50- 37.50 |

### WEST

Pool receipts of milk in California for April total 2.24 billion pounds, up 3.2% from March on a daily average basis and up 12.0% from April 1996. Receipts for the first four months of 1997 total 8.47 billion pounds, up 8.9% from the comparable period in 1996. The blend price at a fat test of 3.59% is $12.28. This is the lowest monthly fat test since August of 1996. The percentage of receipts used in Class 1 products stands at 20.98%. This is about half the utilization percentage recorded in April 1984 (41.5%). The April quota price is $13.30, down 29 cents from the previous month and one cent higher than one year ago. Base and overbase prices are $11.60, down 29 cents from March. Milk production patterns are trending lower in the heat of the Southwest. The continued hot weather is stressing cows and lowering milk output. California production is lower than peak levels, but noted to be higher than last week following moderating temperatures over the weekend into the early part of this week. Plant receipts continue to outpace 1996 levels, often by double digit increases. Feedlot conditions and feed quality remain favorable. The Memorial Day weekend caused limited disruptions of milk processing, although most plants operated at higher schedules with limited problems noted. Cream demand remains good, despite the 12 1/2 cent increase for Grade A butter at the CME on May 23. Some multiples were lowered to keep cream moving. Sales were good to butter producers in the region and to other areas of the country. Ice cream interest is picking up. Additional milk supplies entered manufacturing facilities over the holiday weekend in the Pacific Northwest, but few surprises were noted. Rain was wide spread in the region over the weekend which helped row crops, but caught many hay growers with their first cutting down in the wind row. The quality of the hay that has been rained on is being questioned by buyers and a wider spread is developing on pricing. The hay that was put up in good shape without rain is being rated as excellent. Heifer markets remain very quiet and slaughter cow markets are lower in price. More hay is being cut between rain showers in Utah and Idaho. Quality is rated as generally very good. Most manufacturing plants were running at capacity levels to clear additional supplies of milk over the holiday weekend.



# CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 05/29/97 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

## NONFAT DRY MILK - CENTRAL

Prices are lower on the top end of the range, but the majority of current sales are unchanged. Prices are, for the most part, in line with Western delivered prices, allowing producers to remain competitive for the limited sales. Buyer interest is slow, especially from cheese makers. In fact, extra loads of NDM held by cheese makers are being offered on the market. Sales to the CCC continue this week. Production was higher over and following the Memorial Day weekend. Stocks continue to build.

Includes EXTRA GRADE and GRADE A, all heat treatments
NONFAT DRY MILK: 1.0600 - 1.1100 MOSTLY: 1.0700 - 1.0800

## DRY BUTTERMILK - CENTRAL

Prices are lower and the market tone remains weak. Continued pressure from NDM and resale product is forcing prices to be lowered to remain competitive and move. Production was higher over the holiday weekend, but returned to normal by midweek. Sales are mainly limited to contract sales and spot buyers are not actively in the market. Stocks are light to moderate and building.

BUTTERMILK: 1.0400 - 1.1650

## DRY WHEY - CENTRAL

Dry whey prices are higher and the market tone is steady to firm. Additional demand from buyers wanting loads “near the bottom,” coupled with producers storing extra loads, has tightened up whey availability over the past week. Producers are returning to normal pricing structures. Buying interest is fair and clearing product that is being offered. Discounted prices are not found on the resale side. In fact, premiums are beginning to be reestablished. Production continues to trend seasonally higher. Stocks are moderate, but being held with confidence.

NONHYGROSCOPIC: .1750 - .1900 MOSTLY: .1750 - .1800

## ANIMAL FEED WHEY - CENTRAL

No price changes were reported for the animal feed types. Offerings of milk replacer and standard whey are limited and approach too few to report levels. Production problems have been very limited in the region, causing limited product to be downgraded. Roller ground markets are steady and demand is fair. Delactose prices are unchanged and the market tone more steady than in recent weeks, in part, due to the moderating WPC market. Offerings are available, but pricing levels are steady.

| | |
|---|---|
| MILK REPLACER: | .1500 - .1700 |
| STANDARD: | .1400 - .1550 |
| ROLLER GROUND: | .1775 - .1900 |
| DELACTOSE (Min. 20% protein): | .3200 - .3500 |

## LACTOSE - CENTRAL AND WEST

Prices are unchanged this week and the market tone remains unsettled to weak. The tone is weaker for domestic sales, steady yet for export sales. Pricing pressure is beginning to develop for new contract negotiations. Expectations that prices will trend lower are being expressed by most buyers and a few sellers. Production remains seasonally higher and stocks are building at many locations.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
EDIBLE: .2300 - .2900 MOSTLY: .2450 - .2700

## WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on the top end of the range and the mostly range has narrowed. The market tone is steadier than in recent weeks. Many producers have returned to normal pricing structures and are stating they are in better inventory positions. Sales activity has improved. Offerings are lighter than in recent weeks. Production is trending seasonally higher at some locations. Output was occasionally higher over the long weekend.

EXTRA GRADE 34% PROTEIN: .5500 - .5850 MOSTLY: .5650 - .5750

## NONFAT DRY MILK - WEST

Prices are trending lower for NDM in both price series. The market tone remains weak. Western producers offered 709,427 pounds on NDM to the CCC last week. Additional sales under the price support program continued this week and contacts expect sales to remain in effect to clear extra product. DEIP orders are being filled, but domestic sales are light. Buyers see no upward risk at the present time, common philosophy when sales to the government are taking place. Production was higher over the holiday weekend, but not above expectations. NDM stocks are in excess of current needs.

Includes EXTRA GRADE and GRADE A

| | | |
|---|---|---|
| LOW/MEDIUM HEAT: | 1.0350 - 1.0700 | MOSTLY: 1.0400 - 1.0500 |
| HIGH HEAT: | 1.0600 - 1.1100 | |

## DRY BUTTERMILK - WEST

Buttermilk prices are lower and the market tone is weaker. Demand remains light with limited spot interest noted. Some contacts feel that the increasing cream markets will eventually help the dry buttermilk market. Ice cream producers are starting to show interest as their production increases seasonally. Buttermilk stocks are higher than current needs and increasing at many locations.

BUTTERMILK: 1.0300 - 1.1150 MOSTLY: 1.0700 - 1.0900

## DRY WHEY - WEST

Western whey range prices moved fractionally lower while the mostly held steady. Unconfirmed reports are noted of some sales fractionally under the price range. Export interest is rated as quiet and slow. Exporters are spending more of their time completing shipments of previously sold product than putting together new deals. Domestic interest is steady at fair to good levels. Production was heavier this past weekend due to the holiday surplus milk available. Manufacturing plants are not complaining about stock levels.

NONHYGROSCOPIC: .1900 - .2025 MOSTLY: .1900 - .1950

## CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended May 23, on powder sales of 10,607,265 pounds f.o.b. California manufacturing plants was $1.0591 per pound. This compares to 7,306,499 pounds at $1.0762 for the previous week ending May 16, 1997. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

## NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

### NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are steady to lower. The market tone is weak, particularly on low heat. Production was very heavy over the Memorial Day weekend and plant stocks are building. Holiday milk volumes were not too burdensome and most plants were caught up by midweek. Plant stocks are very heavy and some producers are lowering offering prices as a way of keeping powder moving. Demand is, at best, lackluster and one contact termed the NDM market as "stale." Much of the lower priced powder is for export under DEIP, but regular spot sales are also occurring near the bottom of the Northeast range. Dry solids are meeting a little more competition from wet solids (condensed skim) since butter prices have jumped.

Includes EXTRA GRADE and GRADE A, all heat treatments

| | |
|---|---|
| F.O.B. NORTHEAST: | 1.0600 - 1.1800 |
| DELVD SOUTHEAST: | 1.0800 - 1.1350 |

### DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady, but the market tone may be losing some of its firmness. Production levels are increasing, powder is more often available from other regions, and demand, though good, has slowed down. Locally, producers report a good supply/demand position, but most do have some powder on hand for immediate shipment. Buying interest is less aggressive. Buyers are doing more shopping rather than take the first load or LTL they can find.

| | |
|---|---|
| F.O.B. NORTHEAST: | 1.1000 - 1.1200 |
| DELVD SOUTHEAST: | 1.0900 - 1.1500 |

### DRY WHOLE MILK - NATIONAL

Prices are mostly unchanged. Production levels are steady to heavier. Some producers, after the long weekend, have again started making some dry whole milk. Orders are up slightly where users want to put away a little more to help carry them through summer when milk is usually in tight supply. Spot interest is still slow to fair and often for LTL volumes. Export interest is fair and some DEIP bids have been accepted.

| | |
|---|---|
| F.O.B. PRODUCING PLANT: | 1.1600 - 1.2300 |

### DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1996 THROUGH MAY 23, 1997
WITH CHANGES FROM PREVIOUS REPORT

| | | | |
|---|---|---|---|
| NONFAT DRY MILK | -- | 55,230 MT | (121,760,058 LBS) |
| CHANGE | -- | 7,230 MT | (15,939,258 LBS) |
| WHOLE MILK POWDER | -- | 1,789 MT | (3,944,029 LBS) |
| CHANGE | -- | 59 MT | (130,071 LBS) |
| CHEESE | -- | 2,724 MT | (6,005,330 LBS) |
| CHANGE | -- | 80 MT | (176,368 LBS) |
| BUTTERFAT | -- | 4,556 MT | (10,044,157 LBS) |
| CHANGE | -- | 20 MT | (44,092 LBS) |

### DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly steady. The market tone is mixed. Contacts report that some producers are holding powder rather than lower prices any further. However, the continued sluggish demand and increased cheese production seem to be working against such a strategy. Dry whey production in the Northeast is heavy as cheese output remains heavy. Milk volumes are still climbing toward the peak and soon, schools will be out for the summer which will provide additional milk to manufacturing plants. Most Eastern producers have powder to move and they are trying to keep it clearing. Export interest is also slow.

| | | |
|---|---|---|
| F.O.B. NORTHEAST: | EXTRA GRADE | .1750 - .1800 |
| | USPH GRADE A | .1775 - .1825 |
| DELVD SOUTHEAST: | | .1875 - .2125 |

### ANIMAL FEED WHEY - NORTHEAST

Prices are unchanged and nominal. Dry whey offerings are increasing at some plants and the slow demand for edible powder is creating increased availability to animal feed makers/users. Some buyers are showing a little more interest as they feel that the market has "bottomed out."

| | | |
|---|---|---|
| F.O.B. NORTHEAST: | MILK REPLACER | .1625 - .1675 |

### EVAPORATED MILK - NATIONAL

Prices and the market tone are generally unchanged. Production levels increased during the Memorial Day weekend when surplus milk volumes were very heavy. Producers took this opportunity to add to their inventories while milk was readily available and at relatively low prices. Most producers are building stocks at this time to carry them through summer's tight milk supply period and fall's good demand period. Current demand is slow to fair and typical for this time of year.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES $22.50 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.

### CASEIN - NATIONAL

Casein prices are steady although the market tone remains weak. Availability of both acid and rennet are adequate for current needs. Production in Europe is increasing while Oceania sources are nearing an end to their production season. Rennet demand for analog cheese needs is not overly aggressive due to the weak tone of natural cheese markets.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

| | |
|---|---|
| RENNET: | 2.2000 - 2.4100 |
| ACID: | 2.0000 - 2.2000 |

## LIVESTOCK, DAIRY, AND POULTRY MONTHLY

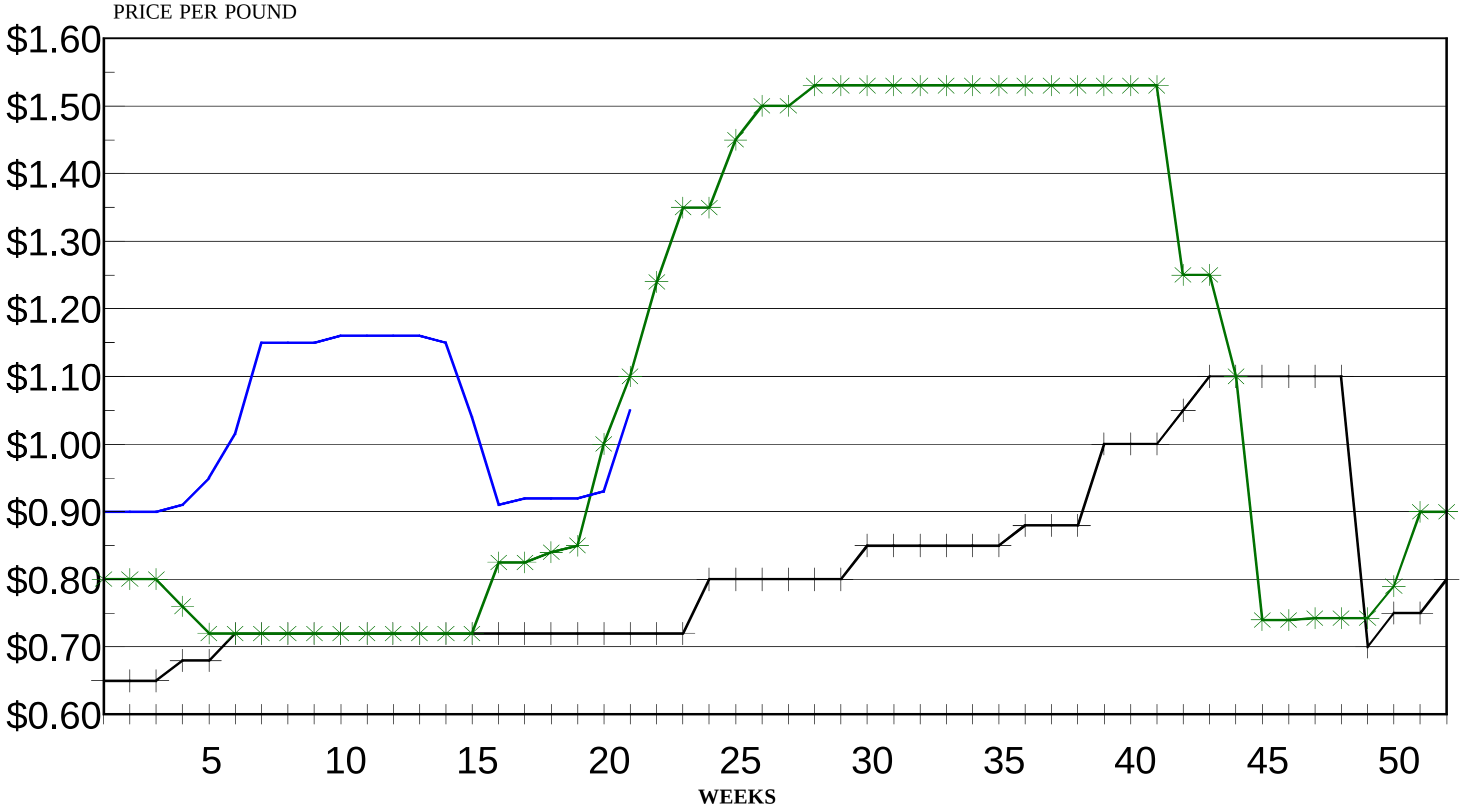
The April increase in milk production was slightly smaller than in March. The flush season was reported to be strong in the South, resulting in larger shipments of milk to northern manufacturing facilities. Along with seasonal increases in local milk output, this inflow made more milk available to cheesemakers. Additionally, Western cheese output continues to rise sharply, even though butter-powder production has had a nominal advantage. Western cheesemakers have aggressively competed with Midwestern producers for prime cheese customers -- hoping that the long-run gain will outweigh some short-run losses. This combination of temporarily more milk for cheese making and less active pursuit of Midwestern cheese supplies, may have led traders to underestimate current market tightness. Also, traders may be paying more attention to conditions for American varieties than to the stronger conditions for other types. Spring and summer milk supplies should post substantial increases from the very weak levels of a year earlier, although increases will be constrained by feed conditions. The late spring in many northern areas will add to the problems of the large number of dairy farmers trying to stretch forage stocks until new-crop supplies are available. Also, the spring milk-feed price ratio is expected to be below 1.5, unfavorable for much increase in concentrate feeding. However, the relatively high returns of the last 2 years may start to buttress milk cow numbers by summer. Expected supplies should be absorbed without difficulty. Continued economic expansion is projected to provide a fairly broad demand base for dairy products during the rest of 1997. With year-to-year increases in retail dairy prices expected to disappear by late in the year, increases in commercial use are projected to keep pace with production growth.

QUARTERLY AND ANNUAL FORECASTS

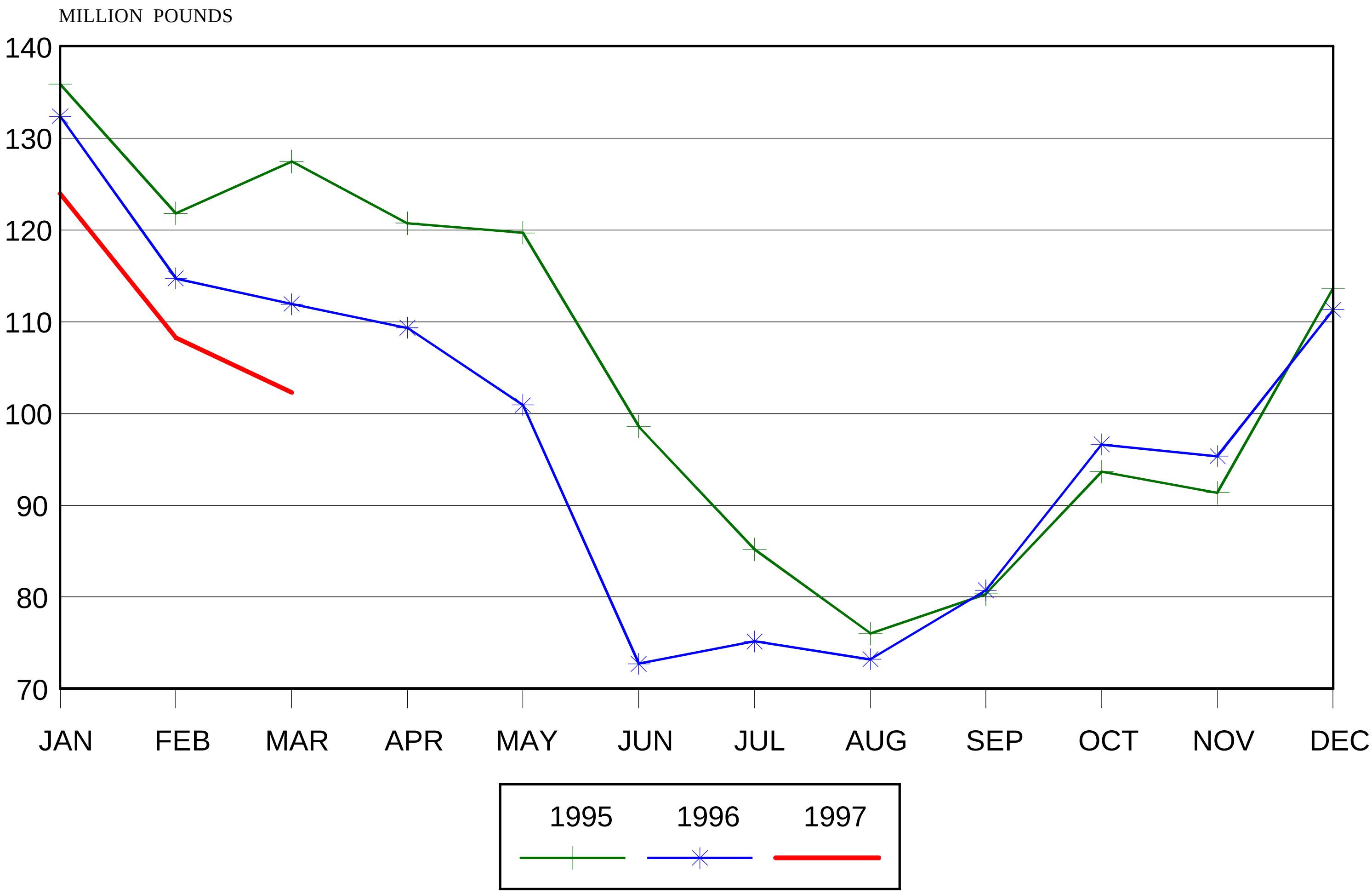
| Item | 1997 II | 1997 III | 1997 IV | ANNUAL | |
|---|---|---|---|---|---|
| | | | | 1997 | 1998 |
| | | | Million pounds | | |
| **Supply/Demand (mf basis)** | | | | | |
| Milk Production | 40,300 | 38,100 | 38,000 | 155,212 | 157,500 |
| Commercial use | 39,800 | 39,200 | 39,200 | 156,751 | 158,400 |
| Net removals | 200 | 100 | --- | 399 | 900 |
| | | | Dollars per cwt. | | |
| **Market Prices** | | | | | |
| Milk, all at plant | 12.40-13.10 | 12.50-13.50 | 14.30-15.30 | 13.10-13.90 | 12.90-13.80 |
| Milk, Basic Formula Price | 10.80-11.50 | 12.00-13.00 | 13.10-14.10 | 12.20-12.80 | 11.80-12.70 |

**Source:** "Livestock, Dairy, and Poultry Monthly", LDP-M-41, May 16, 1997, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 219-0834 or <JJMILLER@econ.ag.gov>.

**CHICAGO MERCANTILE EXCHANGE**
**GRADE AA BUTTER**




**U.S. BUTTER PRODUCTION**



## CCC PURCHASES OF DAIRY PRODUCTS

| | FOR THE WEEK OF MAY 26 - 30, 1997 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|---|---|---|---|---|---|---|---|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/96 | SAME PERIOD LAST YEAR | PERIOD ENDING 05/23/97 | SAME PERIOD LAST YEAR |
| BUTTER | | | | | | | |
| Bulk | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Packaged | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| CHEESE | | | | | | | |
| Block | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Barrel | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Process | 148,800 | -0- | 148,800 | 632,400 | -0- | -0- | -0- |
| TOTAL | 148,800 | -0- | 148,800 | 632,400 | -0- | -0- | -0- |
| NONFAT DRY MILK | | | | | | | |
| Nonfortified | 118,938 | -0- | 118,938 | 828,365 | -0- | -0- | -0- |
| Fortified | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | 118,938 | -0- | 118,938 | 828,365 | -0- | -0- | -0- |

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

| | MILKFAT* BASIS | SKIM** SOLIDS |
|---|---|---|
| WEEK OF MAY 26 - 30, 1997 = | 1.4 | 2.9 |
| CUMULATIVE SINCE OCTOBER 1, 1996 = | 6.0 | 15.9 |
| CUMULATIVE JANUARY 1 - MAY 30, 1997 = | 6.0 | 15.9 |

| | MILKFAT* BASIS | SKIM** SOLIDS |
|---|---|---|
| COMPARABLE WEEK IN 1996 = | 0.0 | 0.0 |
| CUMULATIVE SAME PERIOD LAST YEAR = | 0.0 | 0.0 |
| COMPARABLE CALENDAR YEAR 1996 = | 0.0 | 0.0 |

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/96 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

| | BUTTER | | CHEESE | | NONFAT DRY MILK | | MILK EQUIVALENT | |
|---|---|---|---|---|---|---|---|---|
| REGION | 1996/97 | 1995/96 | 1996/97 | 1995/96 | 1996/97 | 1995/96 | 1996/97 | 1995/96 |
| MIDWEST | -0- | -0- | 632,400 | -0- | -0- | -0- | 97.0 | 0.0 |
| WEST | -0- | -0- | -0- | -0- | 828,365 | -0- | 3.0 | 0.0 |
| EAST | -0- | -0- | -0- | -0- | -0- | -0- | 0.0 | 0.0 |
| TOTAL | -0- | -0- | 632,400 | -0- | 828,365 | -0- | 100.0 | 0.0 |

## SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1997

MANUFACTURING MILK: Average Test 3.67% - $10.20 per cwt.; 3.5% - $10.10

DOLLARS PER POUND

BUTTER: Bulk $.6500; 1# Prints $.6800

CHEESE: 40 & 60# Blocks $1.1300; 500# Barrels $1.1000; Process American 5# $1.1825; Process American 2# $1.2225

NONFAT DRY MILK: Nonfortified $1.0470; Fortified $1.0570; Instant $1.2045

**Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 05/10/97 & Comparable Week 1996**

| Regions* | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | U.S. TOTAL: WEEK | U.S. TOTAL: SINCE JAN 1 | % DAIRY OF ALL: WEEK | % DAIRY OF ALL: SINCE JAN 1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1997-Dairy cows HD (000) | 0.4 | 1.4 | 6.1 | 5.4 | 21.8 | 2.4 | 2.6 | 1.3 | 8.2 | 2.9 | 52.5 | 1,121.3 | 44.7 | 46.5 |
| 1996-Dairy cows HD (000) | 0.4 | 1.3 | 5.9 | 6.1 | 19.7 | 1.7 | 4.3 | 1.1 | 7.4 | 2.9 | 50.6 | 1,112.9 | 40.4 | 45.2 |
| 1997-All cows HD (000) | 0.4 | 1.5 | 7.8 | 16.8 | 29.3 | 16.4 | 18.3 | 8.7 | 11.5 | 6.7 | 117.5 | 2,413.3 | | |
| 1996-All cows HD (000) | 0.4 | 1.3 | 7.8 | 16.3 | 26.6 | 23.7 | 21.2 | 10.9 | 10.5 | 6.5 | 125.2 | 2,460.5 | | |

*For source, states included in each region, and historical data, see "Dairy Market News", Vol. 55, Report No. 31

## BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, $/CWT.)

| YEAR | JAN. | FEB. | MAR. | APR. | MAY | JUN. | JUL. | AUG. | SEP. | OCT. | NOV. | DEC. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1994 | 12.41 | 12.41 | 12.77 | 12.99 | 11.51 | 11.25 | 11.41 | 11.73 | 12.04 | 12.29 | 11.86 | 11.38 |
| 1995 | 11.35 | 11.79 | 11.89 | 11.16 | *11.12 | 11.42 | 11.23 | 11.55 | 12.08 | 12.61 | 12.87 | 12.91 |
| 1996 | 12.73 | 12.59 | 12.70 | 13.09 | 13.77 | 13.92 | 14.49 | 14.94 | 15.37 | 14.13 | 11.61 | 11.34 |
| 1997 | 11.94 | 12.46 | 12.49 | 11.44 | | | | | | | | |

## MAY 23 BUTTER TRADING AT THE CHICAGO MERCANTILE EXCHANGE

SALES: 10 CARS GRADE AA: 2 @ $0.9800, 3 @ $0.9750, 4 @ $1.0500, 1 @ $1.0100

BIDS UNFILLED: 42 CARS GRADE AA: 1 @ $0.9350, 6 @ $0.9700, 2 @ $0.9800, 2 @ $0.9850, 1 @ $0.9900, 3 @ $0.9950, 2 @ $0.9975, 3 @ $1.0000, 3 @ $1.0100, 1 @ $1.0250, 11 @ $1.0300, 2 @ $1.0325, 3 @ $1.0400, 2 @ $1.0500 (LST)
2 CARS GRADE A: 1 @ $0.9700, 1 @ $0.9800 (LST)
1 CAR GRADE B @ $0.9800 (LST)

OFFERS: 4 CARS GRADE AA: 1 @ $1.1000, 1 @ $1.1100, 1 @ $1.1200, 1 @ $1.1300